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The News – 10/29/02

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Recommended Reading

I realize this is the only newsletter you'll ever need, but if you want more in-depth detail, check out:

Stan Hustad's
[The Coaching Connection](#)

Taylor Harkins Group's
[Insights to Action™](#)

Management Signature's
[The Express Read](#)

If you deploy it, will they subscribe?

The second part of the *Why You Need to Get Hip to HIPAA* series will appear in a future SNS

Technology Network (Tech Net), a leading tech sector lobbying group, is asking the US government to guarantee 100 megabits per second (Mbps) connections for 100 million US homes and small businesses by the end of this decade. (Interestingly, Tech Net's former URL is now for sale: www.technologynet.org. What's that all about?) This and similar solutions to the problems of the broadband industry, and the tech industry in general, assume that consumers need it, they just don't know it yet.

This is rather obviously not true, at least yet. The FCC says broadband access is available to 75 to 80 percent of US households yet only 7 percent subscribe. Sounds like if you build it, they'll ignore it. (I've addressed this question in SNS [before](#).)

In my opinion, the [Field of Dreams](#) approach to technological innovation won't work for broadband. Lowering the price will. It's hard to understand why the broadband industry doesn't get this, but, with the cost of a truck roll heading north of \$600, it is easy to understand the problems with their revenue model: Even at \$50 a month, it's likely to be a couple of years before a company recoups the installation investment. To reduce the price to the \$20 level that would kill the dialup competition means extending the payback period significantly.

That's why broadband companies must take the longer view, as satellite companies such as [EchoStar](#) have done. EchoStar will give you the equipment and install it (for free or nominal fee) because they're banking on you keeping it for the long run. They'll even install a new dish on your new home should you move, leaving the old one in place for the new owner.

An even longer view is taken by public utilities in Washington State, discussed in a [previous](#) SNS. Because electric, water, and gas companies are used to decades-long paybacks for things like dams and electric plants, taking on an investment of \$120 million to lay fiber to the home (FTTH) in a

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About The Author



During his 18 year IT career, Mike Ellsworth has pushed the technology envelope time and again. While at ACNielsen,

Ellsworth helped set Dun & Bradstreet's Internet strategy and

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rural county, as the electric utility in Grant County, Washington did, isn't seen as the same kind of big deal as it would be in high tech circles.

Now you can argue that broadband companies don't have access to capital on the same terms as well-established public utilities, and you'd be right. You'd also be right if you said that public policy could help in this area. Perhaps government-backed low-interest loans to broadband network builders would get more networks built.

But that won't solve the question of consumer demand. Remember, 80 percent of homes can get broadband now, but only 7 percent have signed up. The FCC's *Third Report on the Availability of High Speed and Advanced Telecommunications Capability* concluded more than 70 percent of homes have cable modem service available, 45 percent have digital subscriber line (DSL) service available, 55 percent have terrestrial fixed wireless broadband available, and almost everyone can purchase satellite-delivered broadband.

The key finding in the FCC report, however, is that, "cost appears to be closely associated with the number of consumers willing to subscribe to advanced services." One private-sector survey found that 30 percent of online customers were willing to pay \$25 per month for broadband, but only 12 percent were willing to pay \$40.

One reason for this reluctance to pay for broadband at home is its availability at work. Adam Thierer, director of telecommunications studies at the Cato Institute in Washington, D.C., says in the article, [Solving the Broadband Paradox](#) in *Issues in Science and Technology*:

If I can get online at work for a few minutes during the lunch hour each day and order goods from bandwidth-intensive sites such as Amazon.com, JCrew.com, or E-Bay, why do I really need an expensive broadband hookup at home at all? A narrowband dialup connection at home will give me easy access to e-mail and even allow me to get around most Web sites without much of a headache. I'll just have to be patient when I hit the sites with lots of bells and whistles.

Thierer goes on to say that so far, the only broadband killer apps are Napster-like file sharing and porn. He also points out that the regulatory environment is drastically different for broadband providers: telcos are regulated federally as common carriers (which must carry all traffic equally); cable companies are regulated locally and, since they are not common carriers, can cut exclusive and private deals; and [satellite](#) and [fixed wireless](#) providers are lightly regulated by the FCC as private carriers.

Thierer argues for a "most favored nation" (MFN) policy for telecommunications that would state that: "Any communications carrier seeking to offer a new service or entering a new line of business should be regulated no more stringently than its least-regulated competitor."

That's part of the intent of the Internet Freedom and Broadband Deployment Act of 2001 (H.R. 1542) (discussed in a [previous SNS](#)). Thierer says the act, called the Tauzin-Dingell bill, "would allow the Baby Bell companies, which offer local phone service, to provide customers with broadband services in the same way that cable and satellite companies are currently allowed to, free of the infrastructure-sharing provisions of the Telecom Act of 1996." Yeah, if this hotly contested bill ever gets out of committee, where it has languished since February. But the point of this bill is valid: the Baby Bells aren't going to make lots of investments in new infrastructure to provide broadband if they've got to turn around and offer the infrastructure to competitors. And that right there is probably the single most important reason why you've seen significant foot-dragging from the Bells on DSL deployment.

Another bill, the Broadband Internet Access Act (S. 88, H.R. 267) would create tax incentives of 10 to 20 percent to encourage communications companies to deploy broadband services to rural communities and "underserved" areas. Don't hold your breath. That sucker's been in committee since early 2001.

developed the vision that resulted in the consumer packaged goods industry's first Web application in early 1995.

Also at ACNielsen, Ellsworth established the company's eCommerce infrastructure, developed the first company Web site and intranet, and created its first Web-based online decision support application. As VP, Strategic Planning for Internet start-up B2BXchange, Ellsworth helped chart the course for this ambitious B2B portal.

Now an independent emerging technology consultant with StratVantage, Ellsworth helps companies make better technology decisions about fast-moving technologies such as wireless, mobile computing, eBusiness, and security. He also runs permission-based email campaigns, and writes online newsletters and technology white papers.

Mike Ellsworth can help advise and inform your company's strategy, separating the technologies that are ready from the expensive adventures that could sap your bottom line. Together you can craft a plan that effectively leverages emerging technologies to give your company a sustainable competitive advantage.

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The Rural America Technology Enhancement (RATE) Act (H.R. 2847), which has been in committee all year, would authorize \$3 billion in loans and credits for rural broadband deployment programs and establish an Office of Rural Technology within the Department of Agriculture to coordinate technology grants and programs.

There are other legislative efforts, but Theirer argues, and I agree, that they all would politicize broadband deployment and get the government in the middle of the whole mess. I have no faith that this level of government involvement will be a good thing.

One thing is for sure: As long as the Baby Bells have to share their infrastructure with all comers and cable and satellite players do not, there will continue to be a time-consuming and resource-sucking tug of war in the broadband arena. And home users that don't want to double their expenses for Internet access will be stuck with poky modem access.

Thanks to Alert SNS Reader Nick Stanley for pointing out Theirer's article.

[Broadband Content Wars, Part I](#)

[Broadband Content Wars, Part II](#)

[Broadband Content Wars, Part III](#)

[Broadband Content Wars, Part IV](#)

Briefly Noted

- **Shameless Self-Promotion Dept.:** Check out the article I wrote for the Taylor Harkins newsletter entitled, *Wherever they go, there you are* about the wireless service known as Short Messaging Service (SMS). The article points out how marketers can use – carefully – this new way to contact their customers.

I'm featured in Manyworlds' [Thought Leader Showcase](#), which lists a few of the white papers I've done.

Finally, the CTOMentor wireless white paper, *You Can Take It with You: Business Applications of Personal Wireless Devices*, is available at [ITPapers](#).

- **Nanotech Aping Nature:** Nadrian Seeman, a chemistry professor at New York University said nanotechnology scientists are investigating the DNA molecule, which is only 2.5 nanometers wide. They're not particularly interested in its genetic effects, however, but in the relative ease with which they can alter it for architectural uses. For example, researchers are interested in using DNA as scaffolding for the assembly of 3D computer logic circuits.

Peixuan Guo, a biophysics researcher at Purdue University, has analyzed a natural nanomotor comprising six RNA molecules. The motor packs viral DNA into its protein shell, and is one of the most powerful natural nanomotors yet discovered. It rotates the biological equivalent of a nut to pull on the screw-like DNA, pulling it through. This type of device could be used to target delivery of virus-like medical treatments, he said. Check out our [Nanotechnology Resources](#) directory for more information on the technology. [UPI](#)

- **Locating WLAN Users:** The Ekahau Positioning Engine (EPE) 2.0 can locate 802.11-connected (Wi-Fi) wireless devices to within a meter, according to the company. Developed by a team at the University of Helsinki, the software was first released in April. The technology requires the close proximity of at least three Wi-Fi devices for triangulation purposes, and the company feels that because of the cost of such a deployment, their software will be suitable for networks used primarily for location-based purposes rather than those used just for carrying other data. Wherever you go, they know.

CTOMentor's services will keep you up to date on technology, in your industry, and in the general market.



Can't Get Enough of ME?

In the unlikely event that you want more of my opinions, I've started a Weblog. It's the fashionable thing for pundits to do, and I'm doing it too. A Weblog is a datestamped collection of somewhat random thoughts and ideas assembled on a Web page. If you'd like to subject the world to your thoughts, as I do, you can create your own Weblog. You need to have a Web site that allows you FTP access, and the free software from [www.blogger.com](#). This allows you to right click on a Web page and append your pithy thoughts to your Weblog.

I've dubbed my Weblog entries "Stratlets", and they are available at [www.stratvantage.com/stratlets/](#). Let me know what you think.

Also check out the [TrendSpot](#) for ranking of the latest emerging trends.
